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The IASB had a longer than usual meeting in September. It looked at improvements to disclosures of financial involvement with off balance sheet entities, and worked out a compromise on the related party disclosures amendments.

The Financial Stability Forum's report on the credit crisis, endorsed by the G7 finance ministers, called for the IASB to improve disclosures of risk and involvement with off balance sheet entities. It also called for a review of the application of fair value measurement in declining markets.

The IASB came nearer to fulfilling this request in September. The Board meeting looked at proposals to enhance disclosures of risk related to financial instruments and to off balance sheet entities. For standard-setting purposes, disclosures of risk related to financial instruments come under IFRS 7. This standard only came into force for the 2007 reporting year.

The staff's research suggests that it has been quite successful, but its application has not necessarily been comparable across companies. Their analysis has led them to put to the Board amendments which would require the use of the IAS 39 hierarchy for fair value measurement and a tabular presentation of liquidity risk.

The IASB is currently working on a new consolidation standard that would combine IAS 27 and SIC 12. The work on the standard had led the staff some time ago to come to the conclusion that there needed to be more disclosure for off balance sheet entities that had just failed to be consolidated.

Under the press of the credit crisis they have elaborated this in to identifying a category of investee in which the investor has 'significant influence'. Where the investor does not consolidate these, it will be asked to say why not, and to present in tabular form the extent of its involvement. The disclosures will be different according to whether the investor retains a financial instrument linking it to the entity or not. Where there is no instrument, the investor must provide details of any support given in the last three years.

The credit crisis was also the subject of a document prepared by the Expert Advisory Panel on fair value. This panel was formed to consider the problems of measuring fair value in a declining market. The document provides examples of best practice and is available from the IASB website. The panel invites feedback and will provide a final version before the end of 2008.

The Board also debated a solution to its related party disclosures problem. It may well adopt a Chinese solution but will have to re-expose its amendment to IAS 24. The problem arose when in 2003, as part of its improvement project, the IASB deleted from IAS 24 an exemption for state-controlled entities.

This passed without comment at the time, but subsequently raised howls of protest from China in particular. The economy is heavily permeated by partly state-owned businesses which inevitably do a lot of business with each other but not necessarily on off market terms.

The staff has laboured mightily to produce wording that achieved the right balance and issued an exposure draft of new amendments last year. However, they keep hitting problems and they have finally brought back to the Board a blanket exemption with a ‘health warning’ disclosure. The Board had begun to see this was the only viable solution, and finally accepted a wording proposed by Board member Wei-Guo Zhang based on the current Chinese standard which had been crafted with the help of the IASB staff.

This says simply that the fact of being state-owned and doing business with another state-owned entity does not of itself make two businesses related parties. However, if any of the specific conditions in the standard exist, then the standard applies. The Board tentatively agreed on this approach but expects to have to re-expose the draft amendments.

The Board has been uncomfortable about its position on revenue recognition. This project which has explored many innovative approaches will finally do little more than combine IAS 11 and IAS 18. However, from the September debate it emerged that the paper might establish that re-measurement at fair value of a customer obligation when something is delivered in a multi-part contract is the conceptually desirable solution.

But that for cost/benefit reasons this will in most cases be satisfied by an allocation of the original customer consideration. Only in some cases, such as insurance or financial instruments, might re-measurement be worthwhile. This would give a little respectability to the fact that they are apparently pursuing two conflicting measurement models at the same time.

There were also three education sessions. One was on the possible use of settlement value in measuring an insurer’s liabilities to policyholders. The staff preferred to call this fulfilment value. Another was on disclosures of extractive activities. The multi-country staff team is to publish a discussion paper later this year. It will not formally be an IASB discussion paper, but will form the first part of the IASB’s due process when it moves to write an industry standard.